

# Monthly Economic Review

August 2014, Volume 8, Issue 8



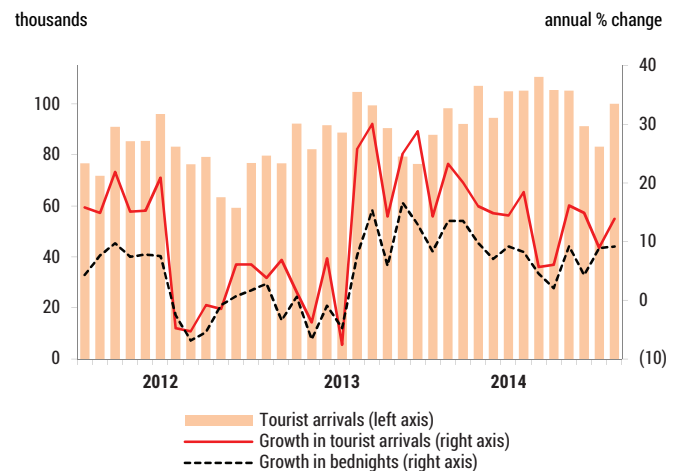
## Outlook for 2014

According to the latest estimates from the Department of National Planning, real GDP growth is expected to accelerate to 4.5% in 2014, driven mainly by the tourism sector. This growth in economic activity is also expected to be spurred by the government budgeted expenditure of MVR16.4 billion. The budget deficit for the year is projected to be 3.2% of GDP. Meanwhile, in line with the expansion in output, the latest balance of payments forecasts estimate the current account deficit to widen to US\$562.5 million, which is 22% of GDP in 2014.

## Tourism

During July 2014, total tourist arrivals reached 100,191, which is an increase of 20% in monthly terms and 14% in annual terms. The annual increase in arrivals was contributed by the increase in the number of arrivals from both Asia and Europe. In July 2014, total bednights rose by 9% in annual terms while the average duration of stay declined from 6.0 days in July 2013 to 5.7 days in July 2014. With the increase in bednights, the occupancy rate also rose to 69% in July 2014 from 66% in the same period last year.

### Key tourism indicators

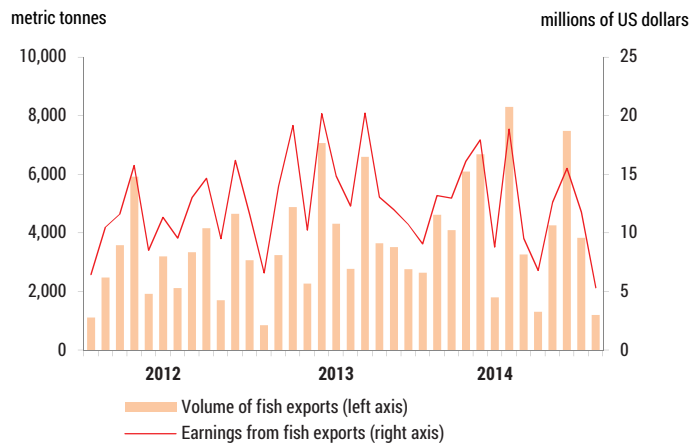


Source: Ministry of Tourism

This report provides an update of developments in key economic sectors in July 2014, based on the latest available data as at 27 August 2014.

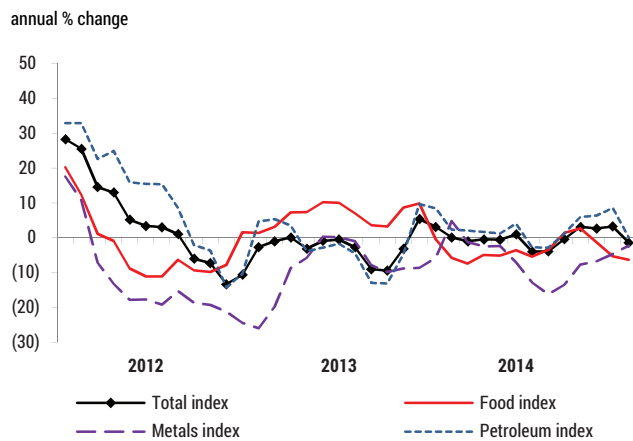
For more detailed information regarding the data, please refer to the Monthly Statistics published on our website. Additionally, please refer to the "Notes and explanatory notes for publications" for further clarification.

## Fish exports



Source: Maldives Customs Service

## IMF commodity price index



Source: International Monetary Fund

## Fisheries

In July 2014 fish purchases declined by 44% to 2,124.7 metric tonnes when compared to the corresponding period of 2013.

In July 2014, both the volume and earnings from fish exports fell compared to July 2013. As such, the volume of fish exports fell by 54%, while the earnings on fish exports declined by 41% during this period. The decline in the volume and earnings of fish exports was contributed mainly by the fall in export of frozen yellowfin tuna.

## Global Prices

The International Monetary Fund (IMF) commodity price index fell in both monthly and annual terms by 2% and 1%, respectively. The monthly decline in commodity prices largely reflects the fall in both food and petroleum prices, while metal prices registered an increase of 4%. In annual terms, the fall in commodity prices was attributed to the decline in both food and metal prices, while petroleum prices remained largely unchanged.

The price of crude oil<sup>1</sup> fell by 3% in monthly terms and remained unchanged in annual terms at US\$105.2 per barrel at the end of July 2014.

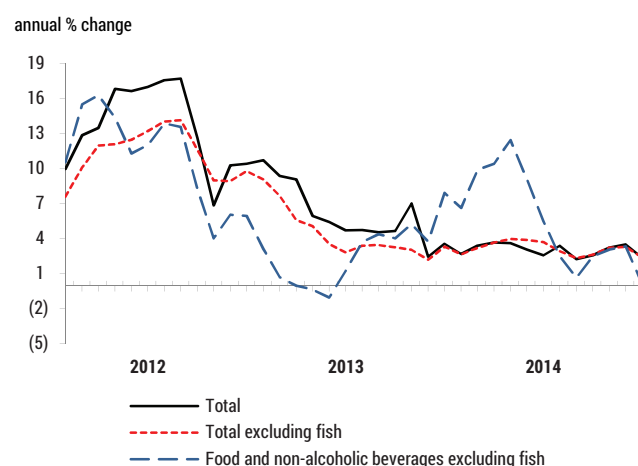
<sup>1</sup> Monthly average of Brent, Dubai Fateh and West Texas Intermediate.

## Inflation

The rate of inflation (measured by the annual percentage change in the consumer price index for Male') decelerated to 2.4% in July 2014 from 3.5% in June 2014 and 3.6% a year ago. The moderate growth annual inflation compared to last month was largely contributed by the slower growth of food prices, especially fish, and the moderation in the growth in prices charged for rent and health services.

In monthly terms, the rate of inflation rose marginally to 0.1% in July 2014, largely due to the growth in prices charged for furnishing and household equipment, which offset the fall in fish prices during the review month.

### Consumer price index – Male'

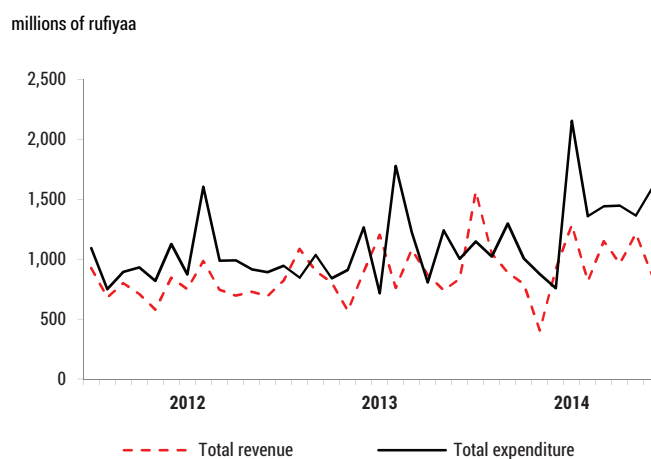


Source: Department of National Planning

## Public Finance

According to the monthly government revenue and expenditure data for June 2014<sup>2</sup>, total revenue (excluding grants) rose by 4% in annual terms and amounted to MVR0.9 billion during the month. Meanwhile, total expenditure (excluding net lending and amortisation) rose by 58% and amounted to MVR1.6 billion in June 2014. The increase in total revenue during June 2014 was largely due to the 57% growth in import duty and the 9% increase in total goods and services tax. Meanwhile, non-tax revenue registered a decline owing to the 18% decline in resort lease rent. As for the increase in expenditure, it was mainly due to the 30% increase in current expenditure.

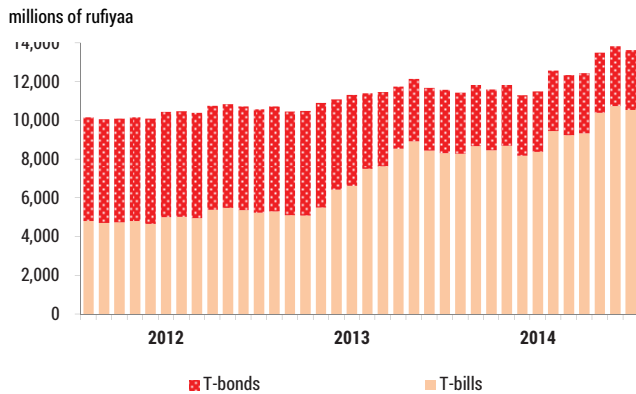
### Government revenue and expenditure



Source: Ministry of Finance and Treasury

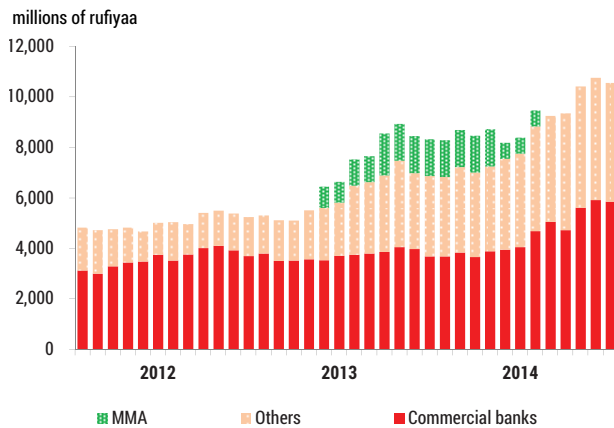
<sup>2</sup> Monthly income and expenditure data are subject to change and may vary from month to month as system data will be updated regularly.

## T-bills and T-bonds



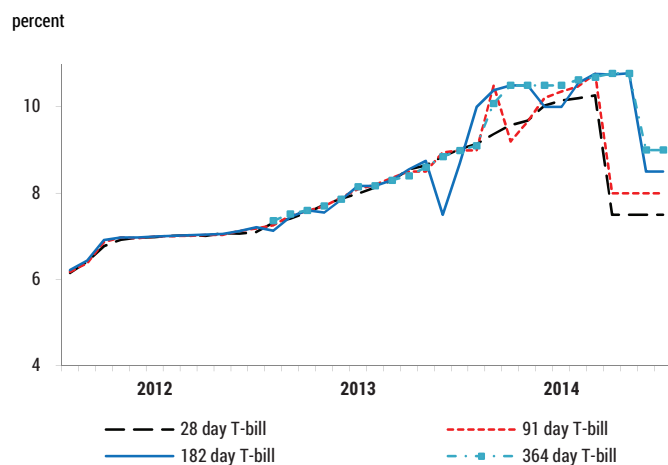
Source: Maldives Monetary Authority

## T-bills by holder



Source: Maldives Monetary Authority

## Interest rates of T-bills



Source: Maldives Monetary Authority

## Government Securities

The total outstanding stock of government securities, which includes Treasury bills (T-bills) and Treasury bonds (T-bonds), fell by 1% in monthly terms and recorded an increase of 18% in annual terms totalling MVR13.7 billion at the end of July 2014. The annual growth in government securities was contributed by the increase in the amount of T-bills issued by the government to manage its growing cash flow requirements.

With regard to the holders of T-bills, the outstanding stock of T-bills held by both the commercial banks and non-banks increased in annual terms and totalled MVR10.6 billion at the end of July 2014. However, when compared to the previous month, T-bills held by both these parties registered declines.

As for the outstanding amount of T-bonds, it remained largely unchanged compared to the previous month while it recorded an annual decline of 5% during the review period.

## Interest rates of T-bills

A tap system was introduced in issuing T-bills of all maturities during the first half of the year 2014. As a result, during July 2014 the WAIR on 28, 91, 182 and 364 day T-bills remained unchanged when compared to the previous month at 7.50%, 8.00%, 8.50% and 9.00%, respectively. As for the annual changes, the rates on 28, 91 and 182 day T-bills fell by 152, 99 and 19 basis points (bps), while the rate on 364 day T-bill rose by 1 bp.

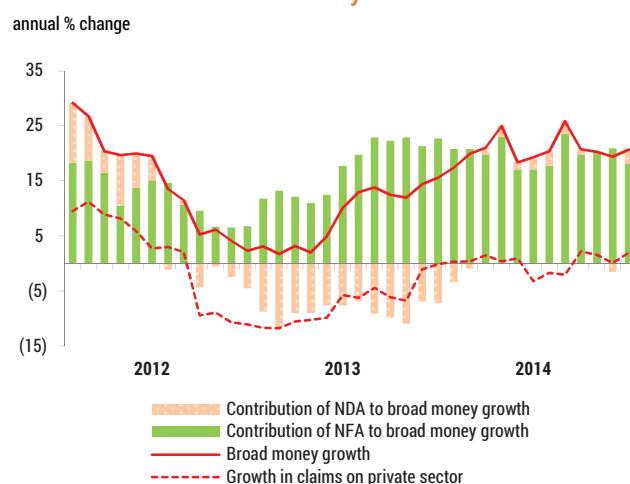
## Broad Money

The annual broad money (M2) growth accelerated to 21% in July 2014 from 19% in the previous month and registered MVR26.7 billion. The annual growth in M2 was driven by the increase in both net foreign assets (NFA) and the net domestic assets (NDA) of the MMA and commercial banks. Meanwhile, M2 declined marginally in monthly terms, owing to the 4% decline in NFA of the banking system, which offset the 2% growth in NDA. The monthly growth in NDA of the banking system was entirely due to the growth in credit to the private sector. As such, the private sector credit recorded a growth of 2% in both monthly and annual terms.

## Monetary Base

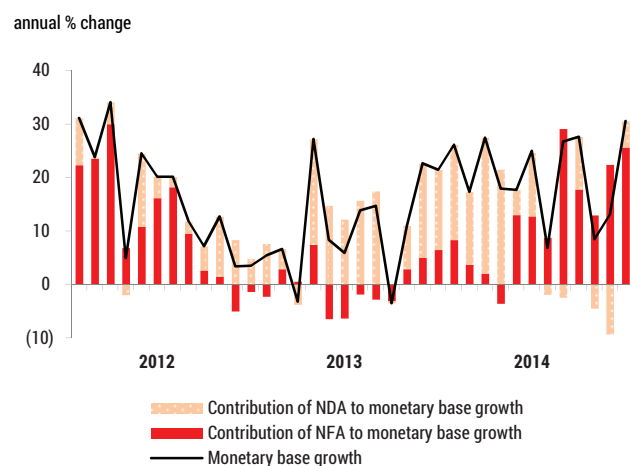
The annual growth rate of monetary base (M0) accelerated to 31% at the end of July 2014 from 13% in June 2014 and registered MVR11.7 billion, mainly contributed by the 46% increase in NFA of the MMA.

### Determinants of broad money



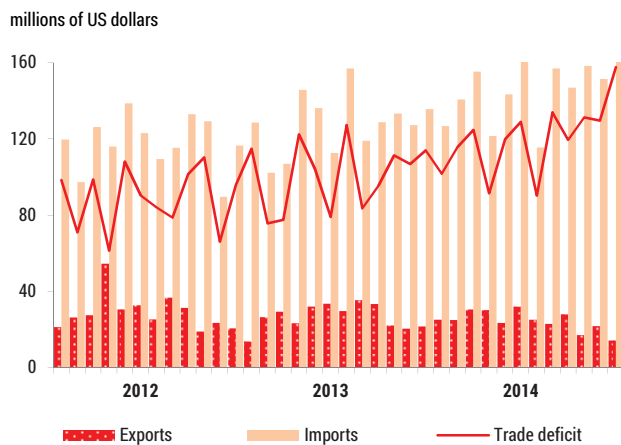
Source: Maldives Monetary Authority

### Determinants of monetary base



Source: Maldives Monetary Authority

### Imports and exports



Source: Maldives Customs Service

## Monetary Operations

The two main instruments used by the MMA in its monetary operations include the Overnight Deposit Facility (ODF) and the Open Market Operations (OMOs). The use of MMA's ODF by commercial banks averaged MVR1.4 billion in July 2014, which is a decline of 14% in monthly terms while it recorded a significant increase of MVR1.2 billion in annual terms. The annual growth reflects the temporary suspension of OMOs since 30 April 2014 which has resulted in the consequent diversion of funds by the commercial banks to the ODF.

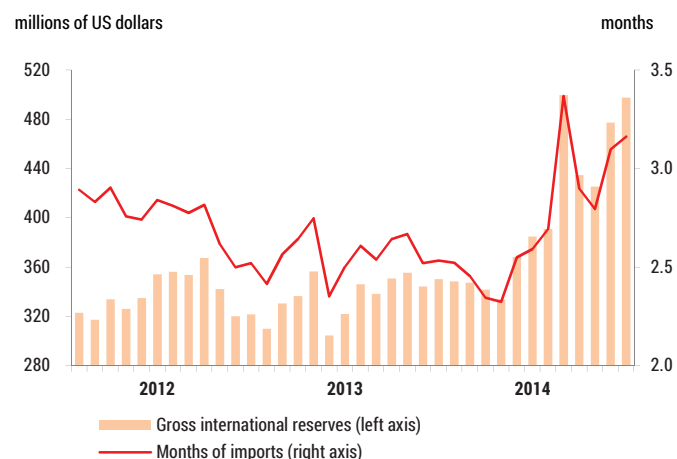
## Merchandise Trade Balance

During July 2014, the merchandise trade deficit widened by 38% when compared to the same period of 2013. This was due to the 27% increase in imports and the 34% decline in exports. The growth in imports was mainly contributed by the increase in import of petroleum products.

## Gross International Reserves

Gross international reserves rose in both monthly and annual terms by 4% and 42%, respectively and reached US\$497.6 million at the end of July 2014. This mainly reflects the temporary increase in foreign currency transfers by the commercial banks in the review period. As for reserves in terms of months of imports, it also increased in both monthly and annual terms and stood at 3.2 months during the review month.

### Gross international reserves



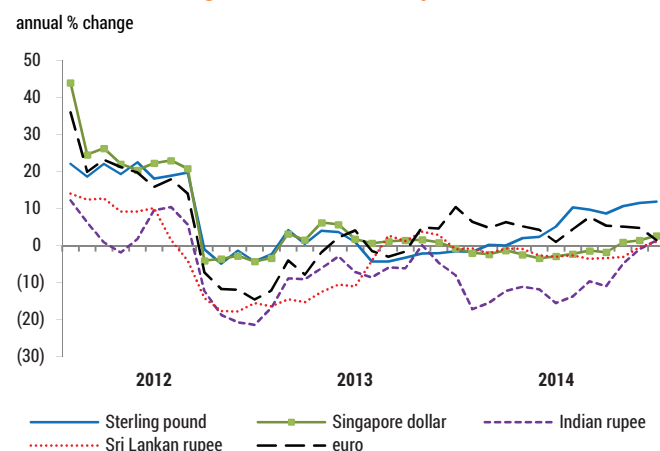
Source: Maldives Monetary Authority; Maldives Customs Service

## Exchange Rate

The Maldives maintains a fixed exchange rate regime, where the Maldivian rufiyaa is pegged to the US dollar within a horizontal band of 20% on either side of a central parity of MVR12.85 per US dollar.

During July 2014, the bilateral exchange rates of the rufiyaa depreciated in annual terms against the Singapore dollar, the Indian rupee, the sterling pound and the euro.

### Bilateral exchange rates of the rufiyaa



Source: Bank of Maldives Plc

In monthly terms, the rufiyaa appreciated against the euro, while it depreciated against the Singapore dollar, the Indian rupee, the Sri Lankan rupee and the sterling pound.

MALDIVES MONETARY AUTHORITY

**Boduthakurufaanu Magu**

**Male' - 20182**

**Republic of Maldives**

**Tel: (960) 3312343**

**Fax: (960) 3323862**

**Email: [mail@mma.gov.mv](mailto:mail@mma.gov.mv)**

**Website: [www.mma.gov.mv](http://www.mma.gov.mv)**